

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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June 9, 2003

Ms. Cheryl S. Crosby, Chief Financial Officer
Ridgeland Nursing Center, Inc.
Highway 278
Post Office Box 1570
Ridgeland, South Carolina 29936

Re: AC# 3-RDL-J0 – Ridgeland Nursing Center, Inc.

Dear Ms. Crosby:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read 'Thomas L. Wagner, Jr.'.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

RIDGELAND NURSING CENTER, INC.

RIDGELAND, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-RDL-J0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

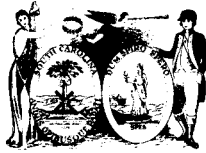
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 27, 2003

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Ridgeland Nursing Center, Inc., for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Ridgeland Nursing Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Ridgeland Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Ridgeland Nursing Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 27, 2003

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "James McIlam Jr", is written over the printed name.

Thomas L. Wagner, Jr., CPA
State Auditor

RIDGELAND NURSING CENTER, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-RDL-J0

	10/01/01- <u>12/31/02</u>
Interim Reimbursement Rate (1)	\$85.60
Adjusted Reimbursement Rate	<u>85.23</u>
Decrease in Reimbursement Rate	\$ <u>.37</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

RIDGELAND NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through December 31, 2002
AC# 3-RDL-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.03	\$54.59	
Dietary		9.55	11.36	
Laundry/Housekeeping/Maintenance		<u>8.19</u>	<u>9.21</u>	
Subtotal	<u>\$5.26</u>	55.77	75.16	\$55.77
Administration & Medical Records	<u>\$3.64</u>	<u>8.74</u>	<u>12.38</u>	<u>8.74</u>
Subtotal		64.51	<u>\$87.54</u>	64.51
<u>Costs Not Subject to Standards:</u>				
Utilities		2.45		2.45
Special Services		.19		.19
Medical Supplies & Oxygen		4.16		4.16
Taxes and Insurance		1.26		1.26
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$72.57</u>		72.57
Inflation Factor (3.80%)				2.76
Cost of Capital				5.91
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.54
Cost Incentive				5.26
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.05)
CNA Staffing Add-On 10/01/2000				<u>2.24</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.23</u>

RIDGELAND NURSING CENTER, INC.

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
For the Contract Period October 1, 2001 Through December 31, 2002
AC# 3-RDL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,221,464	\$ -	\$ 502 (1) 5,779 (6) 255 (6)	\$1,214,928
Dietary	305,918	-	63 (1) 767 (6)	305,088
Laundry	57,543	-	133 (6)	57,410
Housekeeping	142,289	-	8 (1) 665 (6)	141,616
Maintenance	63,712	-	461 (1) 517 (4) 137 (6)	62,597
Administration & Medical Records	280,142	-	236 (1) 634 (6) 131 (6)	279,141
Utilities	78,156	-	-	78,156
Special Services	6,211	-	-	6,211
Medical Supplies & Oxygen	137,326	-	747 (1) 3,659 (5) 64 (6)	132,856

RIDGELAND NURSING CENTER, INC.

Summary of Costs and Total Patient Days

For the Cost Report Period Ended September 30, 2000

For the Contract Period October 1, 2001 Through December 31, 2002

AC# 3-RDL-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	37,786	2,415 (2)	-	40,201
Legal Fees	-	-	-	-
Cost of Capital	188,238	365 (3)	-	188,736
		<u>133 (7)</u>		
Subtotal	2,518,785	2,913	14,758	2,506,940
Ancillary	27,518	3,659 (5)	-	31,177
Non-Allowable	185,335	2,017 (1)	2,415 (2)	193,886
		517 (4)	133 (7)	
		<u>8,565 (6)</u>		
Total Operating Expenses	<u>\$2,731,638</u>	<u>\$17,671</u>	<u>\$17,306</u>	<u>\$2,732,003</u>
Total Patient Days	<u>31,947</u>	<u>-</u>	<u>-</u>	<u>31,947</u>
Total Beds	<u>88</u>			

RIDGELAND NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-RDL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 2,017	
	Nursing		\$ 502
	Dietary		63
	Housekeeping		8
	Maintenance		461
	Administration		236
	Medical Supplies		747
	To adjust to amounts per the general ledger HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Taxes and Insurance	2,415	
	Nonallowable		2,415
	To adjust General Insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Fixed Assets	20,578	
	Cost of Capital	365	
	Accumulated Depreciation		19,895
	Other Equity		1,048
	To adjust fixed assets and related depreciation HIM-15-1, Section 100 State Plan, Attachment 4.19D		
4	Nonallowable	517	
	Maintenance		517
	To remove invoice expensed twice HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Ancillary	3,659	
	Medical Supplies		3,659
	To reclassify prescription drug expense to the proper cost center HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

RIDGELAND NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-RDL-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	8,565	
	Nursing		5,779
	Restorative		255
	Dietary		767
	Laundry		133
	Housekeeping		665
	Maintenance		137
	Administration		634
	Medical Records		131
	Medical Supplies		64
	To adjust health insurance cost to actual HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Cost of Capital	133	
	Nonallowable		133
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$38,249</u>	<u>\$38,249</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

RIDGELAND NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
For the Contract Period October 1, 2001 Through December 31, 2002
AC# 3-RDL-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>88</u>
Deemed Asset Value	3,277,648
Improvements Since 1981	144,994
Accumulated Depreciation at 9/30/00	<u>(816,502)</u>
Deemed Depreciated Value	2,606,140
Market Rate of Return	<u>.058</u>
Total Annual Return	151,156
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	151,156
Depreciation Expense	36,309
Amortization Expense	1,366
Capital Related Income Offsets	(95)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	188,736
Total Patient Days (Minimum 96% Occupancy)	<u>31,947</u>
Cost of Capital Per Diem	\$ <u><u>5.91</u></u>

RIDGELAND NURSING CENTER, INC.

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended September 30, 2000

For the Contract Period October 1, 2001 Through December 31, 2002

AC# 3-RDL-J0

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$5.24
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$9.23</u>
Reimbursable Cost of Capital Per Diem	\$5.91
Cost of Capital Per Diem	<u>5.91</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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